

Supervisory Board Report

Honored Shareholders,

Following a very successful fiscal year, Jenoptik remains clearly on course for growth. All of our segments, as well as the entities we acquired in 2018 – Prodomax Automation Ltd. in Canada and the OTTO Group – contributed to this encouraging performance with record figures for revenue, earnings, and free cash flow. The Supervisory Board provided significant support to the Executive Board throughout the fiscal year. By consistently implementing our new strategy with a stronger focus on photonic technologies and further internationalization we were able to meet challenges together. This gives us cause to look forward with confidence to the present fiscal year.

In the 2018 fiscal year, the Supervisory Board diligently performed the duties imposed on it by law, by the Articles of Association, and by the rules of procedure, regularly provided advice on the management of the company to the Executive Board, and continuously monitored the latter's work. The Executive Board directly involved the Supervisory Board in all decisions of fundamental importance to Jenoptik and notified it regularly, in good time and in full, both verbally and in writing, of the current status of business, the course of business and the economic situation, the risk position, risk management, and issues relating to compliance, strategy, and corporate planning. The members of the Supervisory Board fully engaged with the reports submitted by the Executive Board at committee and Supervisory Board meetings. In the event that the business development deviated from the established plans and targets, the Executive Board notified the Supervisory Board of this, explaining the reasons in detail. It further maintained full compliance with the professional duties set out in § 90 of the Stock Corporation Act (AktG) and the German Corporate Governance Code ("Code").

The Supervisory Board agreed to business transactions requiring approval following due review and discussion. Over the course of the 2018 fiscal year, it met for five ordinary meetings and one extraordinary meeting, at which members of the Executive Board were also present. Individual agenda items relating to personnel matters on the Executive Board were addressed without the presence of the members of the Executive Board. In addition, resolutions were adopted by unanimous written consent. Over the past fiscal year, the Supervisory Board saw a consistently high participation rate: all members of the Supervisory Board attended considerably more than half of the meetings convened by the Board and the committees on which they sit. On average, attendance at Supervisory Board meetings was 97 percent. There were also five meetings of the Audit Committee (one by conference call), two meetings of the Personnel Committee (one by conference call), and two meetings of the new Investment Committee. Attendance at Audit Committee meetings was 95 percent, at the other committee meetings 100 percent.

The Executive Board and the Supervisory Board worked together in an atmosphere of mutual trust and understanding at all times. The Chairman of the Supervisory Board and the chairmen of the committees maintained ongoing contact with the Executive Board between the meetings of the Supervisory Board and the committees. Detailed monthly reports on the company's position were regularly sent to all members of the Supervisory Board between meetings.

Particular Subjects discussed by the Supervisory Board

At all its regular meetings, the Supervisory Board dealt with the detailed reports of the Executive Board on the business situation of JENOPTIK AG and the Group, in particular current revenue and earnings performance and the financial and asset position. This included a comprehensive examination and discussion of the monthly and quarterly reports. Recurring issues at several meetings further included in-depth explanations and discussions on a range of M & A transactions, in particular relating to the acquisition of Prodomax Automation Ltd. and the OTTO Group.

At an **extraordinary Supervisory Board meeting on January 26, 2018**, the Executive Board presented the Supervisory Board with its proposals for communicating the long-term strategic trajectory of the Jenoptik Group, which was first published at the New Year's Reception on February 6, 2018.

The members of the Supervisory Board adopted their report for the 2018 Annual General Meeting and approved the Corporate Governance Statement and the Corporate Governance Report for the 2017 Annual Report by **unanimous written consent in February 2018**. In addition, and in accordance with the recommendation in Point 5.4.1(5)(2) of the German Corporate Governance Code, the CVs of Supervisory Board members were compared against the competency profile adopted by the Supervisory Board, updated, and published on the JENOPTIK AG website.

At its **meeting on March 21, 2018**, the Supervisory Board discussed the audit of JENOPTIK AG's Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report, the Non-financial Report, and the appropriation of accumulated profits at length in the presence of the auditor. Following in-depth discussions, it approved the Executive Board's proposal for the appropriation of profits, providing for a 20 percent increase in the dividend, to 0.30 euros per no-par value share, and also approved the Annual Financial Statements of JENOPTIK AG and the Consolidated Financial Statements. The Annual Financial Statements were thus adopted. Another core issue was the approval of the agenda for the Annual General Meeting on June 5, 2018. The meeting also dealt with the settlement of the target agreements for the members of the Executive Board in the 2017 fiscal year, the resolution on a new target metric starting in 2018, and the conclusion of new target agreements for both members of the Executive Board in 2018. The Supervisory Board also

considered a range of potential acquisition targets and approved the establishment of an Investment Committee, which was set up to deal with investments requiring approval under the Executive Board's rules of procedure, focusing in particular on the preparation and execution of M & A transactions. The Supervisory Board also adopted a comprehensive revision of the rules of procedure for the Executive Board.

In addition to the recurring topics, the Supervisory Board also used its **meeting on June 4, 2018** to discuss the company's current business and financial situation following the end of the first quarter and Group projects to adjust the organizational structures in two divisions and the corporate center. The Supervisory Board looked in detail at issues relating to the Annual General Meeting to be held on the following day and approved a planned investment at the Automotive division's location in Villingen-Schwenningen. Following further analysis and a full and frank discussion on the Supervisory Board, in combination with preparatory work carried out by the Investment Committee, the Supervisory Board approved the acquisition of all shares in the Canadian company Prodomax Automation Ltd.

The **meeting on September 12, 2018**, was held at the Wedel site of JENOPTIK Advanced Systems GmbH. After a tour of the premises, the Supervisory Board discussed the Group's current Risk and Opportunity Report with the Executive Board in addition to the regular submissions. Other items on the agenda again included information on current M & A issues. The Group's HR Manager presented projects and initiatives from the Human Resources department.

During the two-day **strategy meeting in November**, the Supervisory Board was joined by the Executive Board and other members of the Executive Management Committee to discuss the strategic positions of the separate divisions, which were developed as part of the new long-term corporate strategy presented at the beginning of the year, from the perspective of the market, the competition, and customers.

T01 Participation of the individual Supervisory Board members in meetings

	Astrid Biesterfeldt	Evert Dudok	Michael Ebenau	Elke Eckstein	Thomas Klippstein	Dörthe Knips
6 Supervisory Board Meetings	●●●●●●	●●●●●●	●●●●●●	●●●●●●	●●●●●●	●●●●●●
5 meetings of the Audit Committee (of which one by phone)	●●●●● ○	–	–	–	●●●●●	–
2 meetings of the Personnel Committee (of which one by phone)	–	–	●●	–	●●	–
2 meetings of the Investment Committee (of which one by phone)	–	–	●● (since 22/3/2018)	●● (since 22/3/2018)	–	●● (since 22/3/2018)

● Participation ○ No participation

At the year's final **meeting on December 11, 2018**, the Supervisory Board dealt with the recurring topics and the financial statements for the third quarter, as well as with the medium-term planning and the corporate planning for the 2019 fiscal year, which it approved. After reviewing a corporate governance checklist, the Supervisory Board and the Executive Board approved the declaration of conformity in accordance with § 161 (1) of the Stock Corporation Act (AktG) for the 2018 fiscal year. The former also decided to have the separate Non-Financial Report in the Annual Report examined externally by means of an audit review, commissioning an auditing firm for this purpose, and delegated this task to the Audit Committee for the future. Finally, it was informed about changes to the D & O insurance for the Group.

Work in the Committees

The Supervisory Board has established four committees to help perform its tasks with greater efficiency. To the extent permissible by law, these committees make decisions in individual cases in place of the Supervisory Board and prepare topics that are then addressed by the Supervisory Board. The chairmen or their deputies on the committees provided in-depth information on the content and outcomes of each committee meeting at the following meetings of the Supervisory Board. Information on the individual members of each committee can be found in the Group Notes appended to the Annual Report, from page 202 on.

The [Audit Committee](#) headed by Mr. Heinrich Reimitz convened four meetings and one conference call in the period covered by the report. Both members of the Executive Board, the Head of Group Controlling, and the Head of Group Accounting and Taxes were present at all meetings; the heads of relevant departments attended as required for individual topics. In addition to the monthly, quarterly, and half-year financial statements, and the Annual and Consolidated Financial Statements, the Audit

Dieter Kröhn	Doreen Nowotne	Heinrich Reimitz	Stefan Schaumburg	Andreas Tünnermann	Matthias Wierlacher	Total attendance in percent
●●●●●●	●●●●●●	●●●●●●	●●●● ○	●●●●●●	●●●●●●	97%
-	●●●●●●	●●●●●●	-	-	-	95%
-	-	●●	●●	●●	●●	100%
●● (since 22/3/2018)	●● (since 22/3/2018)	-	-	-	-	100%

Committee paid particular attention to the effectiveness and ongoing development of the risk management, internal control, and compliance management systems. The Audit Committee also dealt regularly with current analyst assessments and the performance of the Jenoptik share.

During a **conference call in February 2018** prior to publication of the preliminary figures, the Audit Committee discussed together with the Executive Board the key indicators in the 2017 fiscal year as well as the progress made in preparing the Financial Statements and Consolidated Financial Statements.

In the presence of two of the auditor's representatives, the **balance sheet meeting in March** focused on the audit of the Combined Management Report, JENOPTIK AG's Annual Financial Statements, the Consolidated Financial Statements, and the Executive Board's proposal for the appropriation of profits. In addition, a representative of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PWC") was present to discuss the very first Non-Financial Report and the results of his audit review. The Chief Compliance & Risk Officer elucidated the current Group Risk and Opportunity Report. Another issue at the meeting was the recommendation by the Audit Committee to the Supervisory Board that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart ("EY"), be proposed to the Annual General Meeting as the auditor for the 2018 fiscal year. EY confirmed that there are no circumstances that might compromise its independence as auditor.

At the **meeting in May**, the Audit Committee closely examined the financial statements for the first quarter of 2018 and was informed about audits completed by Internal Audit and the new accounting standard IFRS 16.

Alongside the half-year financial statements, the key matters **discussed in August** included the determination of the main points for audit, a review of the fee agreement, and the subsequent appointment of EY as auditor for the 2018 fiscal year. The committee also addressed the issue of monitoring the independence of the auditor. To this end, it reviewed the non-audit services provided in the past year and updated its approved catalog of permissible non-audit services. The Audit Committee was also informed that the targets for preparing the Non-financial Report had been specified.

At its last **meeting** of the year **in November**, the Audit Committee examined the financial statements for the third quarter. The Head of Internal Audit reported on scheduled changes to the audit process of Internal Audit and on audit plans through March 2020. At the end of the meeting, the Head of Investor Relations presented the process for monitoring the defined targets and actions within the reporting on sustainability issues in the Non-Financial Report.

The [Personnel Committee](#) headed by Matthias Wierlacher, the Chairman of the Supervisory Board, convened twice in the past fiscal year; one of the meetings took the form of a conference call. Topics at the meetings included settlement of the 2017 target agreement for Mr. Schumacher, recommendations regarding the target metric for the new remuneration system applicable to members of the Executive Board, and long-term succession planning for the Executive Board.

The new [Investment Committee](#) is also headed by the Chairman of the Supervisory Board, Matthias Wierlacher. It convened twice in the past fiscal year, dealing with a range of acquisition projects, in particular the acquisition of the Canadian company Prodomax Automation Ltd.

The [Nomination Committee](#) and the [Mediation Committee](#) did not meet in the past fiscal year. These two committees are also headed by Mr. Wierlacher.

Corporate Governance

Over the past fiscal year, the Supervisory Board engaged with corporate governance issues and, in particular at its meeting in June, was updated on current legislative proposals in this area. In December, following comprehensive examination of a corporate governance checklist, and in conjunction with the Executive Board, the Supervisory Board adopted the declaration of conformity according to § 161 (1) of the Stock Corporation Act (AktG). The current declaration of conformity, together with declarations from prior years, are permanently available to shareholders on the company's website. The latest declaration of conformity can also be found on page 36 of the Annual Report.

Following the efficiency review carried out using a questionnaire and in-depth interviews with the help of an independent external expert in December 2017, the Supervisory Board undertook an internal self-assessment in December 2018. The review gave a positive picture of the work of the Supervisory Board and its committees. No efficiency shortcomings were identified. The next external efficiency review is scheduled to take place in 2020.

Individual members of the Supervisory Board of JENOPTIK AG exercise an executive role at companies with which Jenoptik has a business relationship. Jenoptik does not consider any of these business transactions to be of significance, especially as they are conducted under the same conditions as would have been maintained with third-party companies. Consequently, it is the belief of the Supervisory Board that they do not affect the independence of the members. Information on business transactions with related persons or companies can be found on page 198 f. in chapter 8.6 of the Notes.

In the past fiscal year, there were no conflicts of interest subject to reporting requirements which could have called the independence of the Supervisory Board members into question under the directives of the Corporate Governance Code.

Detailed information on corporate governance at Jenoptik can be found in the Corporate Governance Report beginning from page 36 on of the Annual Report and from page 45 on of the Remuneration Report.

Annual Financial Statements and Consolidated Financial Statements

In accordance with the decision of the Annual General Meeting, EY in Stuttgart was appointed to audit the Annual Financial Statements of JENOPTIK AG and the Consolidated Financial Statements for the third time in succession. The lead audit partner was Mr. Michael Blesch. EY audited the Annual Financial Statements prepared by the Executive Board according to the provisions of the German Commercial Code (HGB), the Consolidated Financial Statements prepared according to § 315e of the German Commercial Code and on the basis of International Financial Reporting Standards (IFRS), and the Combined Management Report, and issued its unqualified approval. The audit review of the Non-Financial Report was also issued with unqualified approval by PWC. Within the scope of its duties, the auditor also checked whether the Executive Board had adopted suitable measures to ensure that developments that may endanger the continued existence of the company are identified in good time. The auditor undertook its audit according to § 317 of the German Commercial Code (HGB), giving consideration to the generally accepted German audit principles defined by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer [IDW]). On completion, the audit reports, the Annual Financial Statements, the Consolidated Financial Statements, the Executive Board's proposal for the appropriation of profits, and the Combined Management Report including the Non-financial-Report were dispatched to all members without delay and, together with the documents submitted by the Executive Board, discussed in great detail by the Audit Committee and the Supervisory Board at their March meetings. Both also dealt extensively with the key audit matters. Representatives of auditor EY and of audit firm PWC, which was appointed by the Audit Committee to conduct an audit review of the Non-Financial Report, reported in person at the meetings on the key outcomes of their audits. They were also available to answer further questions and provide information. The auditor also provided information on services rendered in addition to the financial statement audit services. According to the auditor, there were no circumstances that gave rise to a concern of impartiality.

No major weaknesses in the risk early warning system or the accounting-related internal control system were reported. The Chairman of the Audit Committee also reported in detail on the audits of the Annual Financial Statements and the Consolidated Financial Statements made by the Audit Committee.

Following the final outcomes of the preliminary audit by the Audit Committee and its own review and discussion, the Supervisory Board raised no objections to the outcomes of the audit at its meeting on Wednesday, March 20, 2019 and approved the Annual Financial Statements and Consolidated Financial Statements prepared by the Executive Board. The Annual Financial Statements for 2018 are thus adopted according to § 172 (1) of the Stock Corporation Act (AktG). The Supervisory Board discussed in detail the Executive Board's resolution on the appropriation of profits, which provides for an increased dividend payment of 0.35 euros per no-par value share, and approved it following an internal review.

Changes in the Supervisory Board and the Executive Board

Over the past fiscal year, there were no personnel changes on the Executive Board or the Supervisory Board.

We extend our thanks to the members of the Executive Board and to all employees for their outstanding personal dedication, and to our shareholders for the trust they place in us.

Jena, March 2019

On behalf of the Supervisory Board


Matthias Wierlacher
Chairman